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AGRICULTURE, DEPARTMENT OF

A proposed revision to the uniform system of accounts prescribed for electric borrowers of the Rural Electrification Administration appeared in the 9/15/78 Fed. Reg. p. 41215. The proposal would revise REA Bulletin 181-1 to include additional electric plant instructions for REA borrowers regarding the accounting for "training costs", a component of construction costs. Public comments on the revision will be received until 11/14/78. For further information contact Sheldon Chazin, Director, Accounting and Auditing Division, REA, Room 4307, South Building, USDA, Washington, D.C. 20250, 202/447-7221.

COST ACCOUNTING STANDARDS BOARD

Final rules for accounting for insurance costs have been published in the 9/20/78 Fed. Reg. pp 42239-46. These rules will provide standards for measuring insurance costs, assigning cost to accounting periods, and the allocation of insurance costs to cost objectives. It is one of a series of cost accounting standards promulgated by the Board to achieve uniformity in cost accounting principles to be followed by defense contractors. These rules are effective as of 7/10/79. For more information contact Paul McClenon at 202/275-5537.

"Allocation of Selling and Marketing Costs" is the title of a staff issue paper released by the Board. Topics covered in the study include terminology and definitions, homogeneity of pools, selection of allocation bases, composition of allocation bases, and current expensing vs. deferral. The Board would appreciate receiving comments on the paper by 11/20/78. Copies of the report and further information can be obtained from Albert Fukuda at 202/275-5854.

FEDERAL MARITIME COMMISSION

Standards for self-policing by ocean carriers participating in rate-fixing agreements have been modified (see the 9/21/78 Fed. Reg. pp. 42757-63). Under the modified rules, an independent CPA may act as the policing authority, even though it has a client which is a member of the agreement or an associate of such member, where such relationship is disclosed prior to being named as a policing authority and it is disqualified from acting as the policing authority with respect to the member which is a client of the independent CPA. The rule is effective as of 1/1/79. For more information contact Francis Hurney at 202/523-5740.

FEDERAL TRADE COMMISSION

Manufacturer's after-tax profits averaged 5.9 cents per dollar of sales in the second quarter of 1978 compared with 4.7 cents in the first quarter of 1978 and 5.8 cents in the second quarter of 1977. These and other detailed financial statistics have been obtained from over 12,500 corporations and are available in the FTC's Quarterly Financial Report for Manufacturing, Mining and Trade Corporations. This report is available from the Public Reference Branch, Room 130, Washington, D.C. 20080, 202/523-3830.

GENERAL ACCOUNTING OFFICE

"Federal Agencies Can, and Should, Do More to Combat Fraud in Government Programs" is the title of a recent GAO report on fraud and related white collar crimes in government. The report concludes that no one knows the extent of fraud against the govern-

ment, but Justice Department estimates range from 1 to 10 percent of Federal economic assistance programs expenditures which amount to \$250 billion annually. This report, which has been the basis of GAO testimony at hearings held by the Senate Government Affairs Committee on fraud in the General Services Administration, includes recommended steps for the development of a systematic approach to identify fraud. GAO recommends establishing management information systems that would provide information on the types and methods of fraud and providing agency investigators with training on the financial complexities of fraud. Copies of the report are available from the GAO Distribution Section, Room 1518, 441 G St., NW, Washington, D.C. 20548 (GGD-78-62, 9/19/78).

LABOR, DEPARTMENT OF

Approval of the President's Reorganization Plan 4 dealing with the administration of the pension laws has been approved by the Legislation Subcommittee of the House Government Operations Committee and is expected to gain full committee approval on Wednesday of this week. The reorganization plan would streamline the existing administration and reporting requirements of the pension laws and reduce the dual jurisdiction problems which have caused considerable difficulty for reporting companies.

Amendments to the summary annual report (SAR) have been issued (see the 9/15/78 Fed. Reg. pp. 41205-06). These amendments clarify existing temporary regulations concerning the content, style and format of the SAR which must be furnished to ERISA plan participants and beneficiaries. Under the amendments, if the IRS grants an extension for filing the annual report, an SAR must be furnished within two months after the extension. The amendments are effective immediately. For further information contact John Christensen at 202/523-8515.

RENEGOTIATION BOARD

A report of profits form has been submitted to the Office of Management and Budget for approval by the Defense Department. The report is required by the Vinson-Trammell Act which became effective on the 9/30/76 expiration of the Renegotiation Act. All defense contractors and subcontractors for construction or manufacturing are now required to file reports with the DOD. The report would mandate that contractors list contract price, performance cost, net profit or loss, and excess profits. A copy of the form would be provided to the IRS.

In a related matter, House-Senate conferees have reached agreement on HR 12924 which would provide appropriations for the Renegotiation Board. Under the agreement the Board would terminate on 3/31/79. A substantial portion of the new appropriations would be for "termination costs". The conference agreement provides that the Board's property and records be transferred to the GSA by 3/31/79.

SECURITIES AND EXCHANGE COMMISSION

Applications are now being accepted for the Professional Accounting Fellow Program. Two individuals will be selected in early 1979 for two-year terms beginning this spring. According to the Office of the Chief Accountant, fellowship candidates should have one or more years experience at the manager level in public accounting, the academic community, or in an organization providing equivalent experience. In addition, knowledge of technical accounting and auditing literature and of the current issues facing the profession is desirable. Typical work assignments include the study of significant accounting concepts, evaluation of current reporting requirements and liaison with various government and professional accounting groups. Applicants are required to submit background information and an essay on an SEC accounting issue.

Applications will be accepted until 12/31/78. A brochure describing the program is available from the Office of the Chief Accountant, SEC, 500 N. Capitol Street, Washington, D.C. 20549.

SMALL BUSINESS ADMINISTRATION

SEC Chairman Williams testified before the Senate Small Business Committee on 9/21/78 on the matter of accomodating the needs of small business with the requirements of the federal securities laws. He explained the Commission's most recent action in implementing the new law which allows the use of the less stringent disclosures of Regulation A for smaller offerings of up to \$1,500,000. In addition, Rule 251 has been modified to increase the aggregate offering price from \$50,000 to \$100,000 of securities which may be sold without the use of an offering circular.

On the question of the role of professionals in small business offerings the issue of the impact of the antifraud provisions, Chairman Williams noted that the recent Commission hearings had brought out the fact that the involvement of underwriters, accountants, and attorneys can create significant cost to the small business issuer. On the matter of legal liability, suggestions were made during these hearings that professional liability in this area might be limited to their fees, a multiple of their fees, or fixed percentage of the offering.

The Small Business Administration needs to reexamine its size standards to provide Federal assistance for appropriate small business firms according to a GAO report. "What is A Small Business? The Small Business Administration Needs to Reexamine its Answer" is the title of a report that summarizes a recent survey of SBA's size standards which control eligibility for Federal small business assistance programs. The GAO concludes that many standards have been developed without apparent consideration of size of businesses most in need of Federal assistance. Copies of the report are now available from the U.S. General Accounting Office, Distribution Section, (CED-78-149, 8/9/78).

The Senate has acted on HR 11318, a bill amending and extending the SBA's programs, adding amendments designed to reform parts of the minority development programs. As amended, the bill contains a section creating a "Small Business and Capital Ownership Development Program" with the intent of making more competent management and technical assistance available to firms in the SBA's 8(a) program. A more complete explanation of this change appears in the 9/15/78 Cong. Record pp. S 15199-205. The bill differs from the House-passed version thus requiring a conference to work out the differences.

TREASURY, DEPARTMENT OF

A proposal for banks to revise the valuation of "other real estate" owned has been published by the Comptroller of the Currency (see the 9/18/78 Fed. Reg. pp. 41406-07). The proposal, which would apply to national banks, would require "other real estate" to be valued and recorded in a manner consistent with GAAP as reflected in FAS. No. 15. In addition, the proposed ruling would include accounting for certain real estate transactions where a national bank's involvement is other than a lender. The ruling was originally published on 1/20/78 and has been substantially revised. Comments on this proposal are due by 10/18/78. For more information contact Andrew Levenson at 202/477-1880.

Two tax positions have been filled at the Department. Daniel I. Halperin has been named Deputy Assistant Secretary for Tax Policy. Prior to the appointment, Mr. Halperin was serving as Tax Legislative Counsel. He has previously served at the Treasury

Department and worked in private law practice. John M. Samuels has been chosen as Tax Legislative Counsel. Mr. Samuels had previously been serving as Deputy Counsel under Mr. Halperin. Tax Legislative Counsel is one of four major units under the Assistant Secretary for Tax Policy. The others are the Office of International Tax Counsel, the Office of Tax Analysis, and the Office of Industrial Economics.

Proposed rules on the treatment of losses from payments made in discharge of certain guarantee agreements have been published in the 9/15/78 Fed. Reg. pp. 41237-38. The regulations provide guidance on which guarantee agreements can be treated as bad business debts. For further information contact William Mantle at 202/566-3459.

"Additional IRS Actions Needed to Make Sure that Individuals Pay the Correct Social Security Tax" is the title of a GAO report on compliance with the social security tax laws when an employer has not withheld taxes. GAO states that the IRS should increase its audit coverage of social security taxes while conducting business audits and individual audits in order to increase compliance. The report notes that there is currently a net underpayment of about \$32 million to the Social Security Trust Fund. Copies of the report are available from the GAO Distribution Section (GGD-78-70, 8/15/78).

Hearings will be held on product liability taxation this week by the Subcommittee on Miscellaneous Revenue Measures of the House Ways and Means Committee. The hearings, which will be held on 9/28 and 9/29, will focus on four separate bills introduced in the House on self-insurance for product liability and other losses. In addition, representatives from the Departments of Treasury and Commerce are expected to testify on the product liability options paper released by the Commerce Department's task force. The hearings will begin at 10 a.m. each morning and will be held in room 1100, Longworth House Office Building.

A bill that would prohibit the Treasury Department and the IRS from issuing regulations on the taxation of employee fringe benefits before 1980 has been sent to the President. HR 12841 was approved by the House on 9/19/78 and is expected to be signed into law soon by the President.

Special: ACIR PUBLISHES BOOKET ON INTERGOVERNMENTAL GRANT SYSTEM

"The Intergovernmental Grant System: An Assessment and Proposed Policies" is the title of a recent report issued by the Advisory Commission on Intergovernmental Relations. It provides an overview of various key elements of the Commission's comprehensive study of the federal and state aid system and highlights a five-point strategy for grant reform. Included in the report are sections on how the grant system works, state-local government relationships, grant consolidation, and grants management procedures. Copies of this publication are available from ACIR by calling 202/653-5536.

Special: AICPA TO SPONSOR NATIONAL CONFERENCE ON BANKING

A National Conference on Banking will again be sponsored by the AICPA's Federal Government Division. The conference, which will be held in Washington on 12/12 and 12/13/78, will provide participants with an update on significant accounting and auditing matters faced by banks and CPA in reporting on financial operations.

Highlighting the list of speakers will be Sen. John Tower, (R-Texas), who is ranking minority member of the Senate Banking Financial Institutions Subcommittee, John Heimann, Comptroller of the Currency, and Frederick Deane, Jr., Chairman and President of the Bank of Virginia, who will deliver the keynote address. A registration fee of \$195 covers the cost of all sessions, a handbook, two luncheons and a reception. Accommodations at the Capitol Hilton Hotel in Washington are not included. Registration information can be obtained by writing to: Meetings Department, Banking Conference, AICPA, 1211 Avenue of the Americas, New York, N.Y. 10036.

For additional information contact:
Steven Woolf or Susan Retter
202/872-8190

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